

May 2006

Review of Private Career School Eligibility Criteria to Participate in the State Need Grant Program

Overview

Board staff and representatives of the private career schools are collaborating on a review of eligibility criteria governing the participation of for-profit schools in the State Need Grant (SNG) program. Board staff involved in the project includes both Student Financial Assistance staff and staff responsible for oversight of degree-granting institutions. The purpose of the review is to set standards that allow both students and the board to have confidence in the capability and stability of the participating schools. This review will lead to more detailed guidance and amendments to the board's rules.

Background

Currently, 15 private career schools participate in the SNG program. In 2004-05, the participating private vocational schools enrolled about 8,000 students. Of this number, more than 2,700 students received about \$4.2 million in aid through the SNG program.

Generally, the schools award certificates or associate degrees. In two cases, schools also offer baccalaureate degree programs. A third baccalaureate degree granting, proprietary school began participating in the SNG program this year.

Since 1980, about 23 for-profit schools have participated in the SNG program. At least seven of the participating for-profit private career schools have gone out of business, generally with little or no warning. These include the American College of Professional Education in 2000 and BCTI in 2005. Both schools closed their doors while owing substantial repayments to the state for improperly disbursed student aid.

HECB staff estimate that currently 19 additional schools may be eligible to apply for participation in the SNG program. In addition, more schools will likely be established in Washington over the next few years.

According to the Washington Administrative Code (WAC) a private, for-profit school must meet several criteria to participate in the program. However, the criteria have never been fully developed, and over time, it has become apparent that several of these criteria need to be better defined.

Current eligibility criteria require that the school:

- Be accredited by an agency recognized by rule of the board;
- Be unconditionally certified to participate in federal student aid programs;
- Demonstrate that it has the capability to administer state student aid programs; and
- Demonstrate that it has the financial resources to provide the services described in its official catalog.

The board has authority to remove a school from participation if the school is unable to properly administer the program or fulfill the services it advertised to students.

The Review

The Washington Federation of Private Career Schools and Colleges is concerned about the negative effect that low-performing schools and school closures have on the sector as a whole. The federation has willingly partnered with HECB staff in the review of institutional eligibility criteria.

HECB staff and representatives of the federation formulated a series of questions to guide the discussion. The questions revolve around seven topics for assessing each school's:

- 1) Personnel
- 2) Systems and records keeping
- 3) Institutional policies and procedures
- 4) Financial capability and stability
- 5) Output benchmarks and consumer information
- 6) Commitment to assisting students with the financing needed to cover the total cost of attendance
- 7) Licensing or degree authorization

The draft questions and additional discussion points are included at the end of this report.

The Process

HECB staff and institutional representatives from the for-profit schools will be meeting in May and June to develop recommendations for changes to rules.

Staff will request that the board's financial aid sub-committee set a date for a public meeting with the private career school representatives in late June or early July to review preliminary suggestions for improving institutional eligibility criteria.

Tentative Timeline:

April 2006	HECB formulates the discussion questions. Federation members meet to begin internal discussion.
May 2006	HECB staff and federation representatives meet to discuss the questions and begin developing potential eligibility criteria and refinements to existing criteria. The board is updated during its May 25 meeting.
June or July 2006	A public meeting is held with the board's financial aid committee and private career school representatives to review proposals prior to the start of the rules making process.
July or August 2006	Proposed amendments to SNG rules are introduced.
August- September 2006	Board staff hold formal public hearings and solicit public comment on proposed rules.
September or October 2006	New rules are adopted.

Issues for Private Career School Workgroup

Discussion questions for assessing a for-profit school's initial and continuing eligibility to participate in the State Need Grant program.

1. What standards are available to assess the adequacy of personnel?

- a. Are the director and staff located on-site?
- b. What constitutes an adequate level of experience and knowledge for a director and staff?
- c. What should be expected in terms of institutional commitment to continued training of the aid administrator and staff?
- d. Are other staff members fully prepared and ready to continue services should the director leave the institution or otherwise not be available to manage the student aid function?

2. What standards are available to assess the adequacy of systems and records-keeping?

- a. Are electronic systems in place to manage the federal student aid function?
- b. Are systems and electronic communications in place to manage the state aid programs?
- c. Is the school prepared to handle the state's Unit Record Report?
- d. Does the school have adequate procedures in place so that it can make records available whenever needed?
- e. Are student aid records sufficiently organized and documented so that a reviewer can readily understand how each student's aid eligibility was determined, paid, and monitored?

3. What constitutes adequate policies and procedures?

- a. Does the school have written policies and procedures for making student awards, student payments, and monitoring continued student eligibility?
 - i. For federal student aid?
 - ii. For state student aid?
- b. Are they adequate to ensure that state aid is well stewarded?
- c. Do the policies and procedures reflect the unique nature of some state student aid requirements?

4. What standards are available to assess the school's financial capability?

- a. How can the institution demonstrate that it is financially secure and stable?
- b. How can the onset of an unstable condition be detected?
- c. How can the state be assured that the school will be able to repay any state liability assessed as a result of institutional error or school closure?

5. What output benchmarks should be expected of the institution? What consumer information should be provided to the student?

- a. Completion rates?
- b. Placement rates?
- c. First-year salaries?

6. What constitutes an adequate level of institutional commitment to assisting the student with financing the total cost of attendance?

- a. Do the school's policies and procedures reflect a concern for the student's total financing needs relative to the full cost-of-attendance?
- b. What counseling or guidance service does the school provide to students regarding the financing of the student's total cost-of-attendance?
- c. To what extent does the school participate in federal student aid programs including campus-based programs?
- d. To what extent does the school devote its own resources to student aid?
- e. Does the institution provide matching dollars to either federal or state student aid programs?
- f. What does the school do to limit student indebtedness?

7. Should degree-granting for-profit schools be authorized under the Washington State Degree Authorization Act (WAC 250-61) as a condition for participating in the State Need Grant program?